DEFENSE BUSINESS PRACTICE IMPLEMENTATION BOARD

Report to the Senior Executive Council, Department of Defense

NEXT STEPS ON DOD CORE COMPETENCY REVIEW TASK GROUP

Report FY03-7

- **Recommendations related to the Core Competency Study of the Department of Defense**

September 3, 2003

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NEXT STEPS ON DOD CORE COMPETENCY REVIEW TASK GROUP REPORT

TASK: At the direction of the Executive Secretary of the Senior Executive Council, the Defense Business Practice Implementation Board was tasked with providing recommendations on the Department's recent efforts to use a management framework known as core competency. The commercial analog for this approach, developed by C.K. Prahalad and Gary Hamel of the Harvard Business School, has gained recognition as a framework to improve long-term competitiveness, efficiency and effectiveness by focusing organizations around what they can, and should, do best. The focus of these recommendations was to determine whether a core competency perspective, and the Department's efforts in this regard, can provide value to the Department in achieving its mission of defending the nation.

Specifically, the Task Group was asked to provide the following deliverables:

1. Perform an assessment/validation of core competency framework.

   - Has the Department utilized a valid framework to evaluate its core competencies?
   - How could the framework be improved?
   - How well has the Department identified its competencies based on the selected framework, and how might that selection be refined?

2. Building upon the validation work in Phase 1, identify the current non-core activities/functions that represent the most promising opportunities for action.

   - Detailed assessment of the most compelling opportunities.
   - Recommendations on dispositions of assets, capabilities, functions, etc.

3. Perform an evaluation of barriers/impediments to action recommended in Phase 2 (Ongoing initiatives, rules, regulations, laws, etc.)

4. Develop an Implementation Plan.

   - How can the Department best overcome barriers and propagate change?

➢ DBB Task Group Chairman: Travis Engen
➢ DBB Task Group Vice Chairman: Arnold Punaro
➢ DoD Task Group Liaison: Ken Krieg, Executive Secretary to the Senior Executive Council and Director, Program, Analysis & Evaluation
➢ DBB Task Group Members: Denis Bovin, Mort Zuckerman
➢ DBB Task Group Executive Secretary: Thomas Modly

PROCESS: The Task Group received briefings from each of the Services regarding their efforts on a core competency framework. The Group also generated a survey which was distributed to the Defense Agencies to solicit their feedback on the core competency effort. Survey responses are attached in Appendix A.

The Task Group additionally met several times with its DoD Liaison. Interim recommendations were presented for debate and discussion to the entire DBB at its quarterly meeting on May 14, 2003. Feedback from that Board session was considered in the preparation of the final report.

RESULTS: The Task Group found that the Services and agencies experienced some difficulties in translating the corporate-based core competency framework to a non-commercial context. This is understandable since the definitions of competitors, products, business units, etc. are very different in the defense environment. The core competency model, as defined in the Harvard Business Review article on the subject, suggests an enterprise-based process that identifies core competencies as a prelude to making judgments on what end products a business should produce. In the defense context, however, the organization has less flexibility in the selection of the end products or "end-effects" that it must produce/deliver to ensure the nation's security. The dynamic security environment with a wide range of threats and possible responses limits this flexibility. This suggests that the Defense Department's core competencies be derived from what it is required to deliver rather than allowing the competencies to determine what those end effects should be. The illustration below demonstrates this distinction:
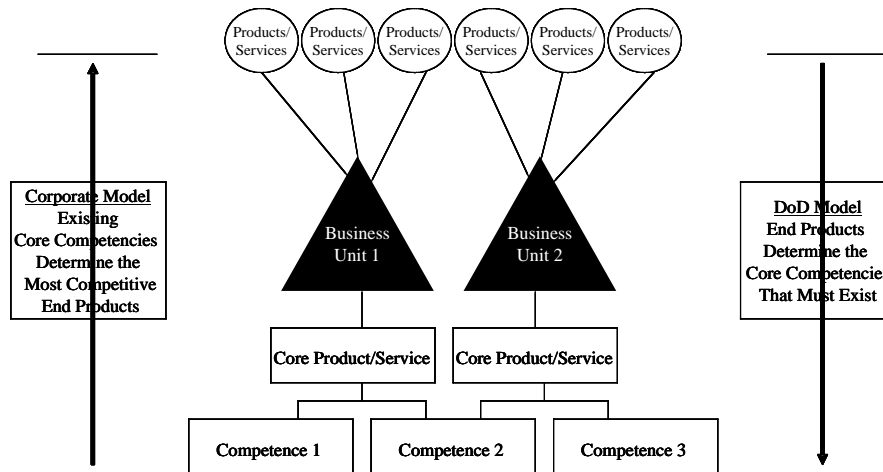
Despite this methodological problem with translating the commercial core competency framework to DoD, the Task Group determined that definite progress was made in building a "thought process" focused on what should be core to the Department of Defense. Additionally, as an alternative to the A-76 program, the process has the potential to lead to broad partnering arrangements with strategic providers of services.

Still, further work, and more visible senior-level involvement, are required for this exercise to have a significant impact on the organization. Many of the non-core areas that were identified through this process had been identified in the past, but taking action on those areas has proven to be much more difficult than simply identifying them. Well-defined core competencies can help build a case for action, but they must be consistent and reflect an enterprise view from the leadership of the organization.

Summary Recommendations

1. Assign executive leadership to take work to the next level:

    *   Designate a senior official to lead the effort
    *   Adopt Mike Dominguez's white paper (DoD White Paper on Core Competencies and Strategic Sourcing) as a logical stepping off point for the next phase of this work
    *   Provide top down guidance on required competencies and facilitation of effort using existing work as a starting point
    *   Pull together a common view of what DoD core competencies must be to achieve the broad range of military outputs (products) that are

required; identify gaps and "excess" competencies--integrate Combatant Commanders' views, particularly Joint Forces Command

2. Make an effort to define the "*Burning Platform*" to create momentum behind the effort (suggestions below):

- Continuing pressure on operational forces--need to focus operational capabilities on warfighting demands
- Insufficient funds available to meet all needs (wants) of the Services
- Changing nature of the military threat
- Possible avenue for sharing/accruing savings to unit
- Urgency to "do something you can control", rather than waiting for "change to happen to you"

3. Make Core Competency results relevant in the DoD context by relating them directly to <u>major</u> transformation initiatives/objectives:

- Military End-Strength
- Global Supply Chain Integration
    - o Retail supply chains
    - o Life cycle weapons systems support
- Base Realignment and Closure (BRAC)
- President's Management Agenda
- Business Management Modernization Program (BMMP)
- Balanced Scorecard
- Others

4. Use Core Competency results to build the case for divestiture of "obvious" non-core activities/organizations. See list below. Just pick one, build a case, and do it!

- Defense Commissary System
- Defense Finance and Accounting Service
- DoD Dependent School System
- DoD Childcare System
- DoD Real Property Management
- Base Operations, Utilities, and Maintenance

5. Establish meaningful "incentives" for action on core competency findings (DoD extremely limited in this regard):

- Incentives must:
    - o motivate action internally
    - o mobilize support externally

6. Task the Under Secretaries of Defense with specific follow-up role:

- Acquisition Technology and Logistics
    - o explore, investigate regulatory and contractual changes required for strategic partnering arrangements
- Comptroller
    - o devise plan for incorporating results of core competency inventories into the '05 Program Budget and related Future Year Defense Program
- Personnel and Readiness
    - o devise plan for marketing concept to Office of Personnel Management and Congress

Respectfully submitted,

Travis Engen

Attachment:
 "Next Steps on DoD Core Competency Review," Final Report

Next Steps on DoD Core Competency Review

Final Report
September 2003

Travis Engen (Chairman)

Arnold Punaro (Vice Chairman)

Denis Bovin

Mort Zuckerman

Thomas Modly (Executive Secretary)

- **Assess/validate DoD's core competency framework.**
  - **has the Department utilized a valid framework to evaluate its core competencies?**
  - **how could the framework be improved?**
  - **how well has the Department identified its competencies based on the selected framework, and how might that selection be refined?**

- **Building upon validation in Step 1, identify the current non-core activities/functions that represent the most promising opportunities for action.**

- **Perform an evaluation of barriers/impediments to action.**

- **Develop and implementation plan to execute action.**

- **Interviewed multiple DoD officials involved in core competency work:**
  - **assessed their experience with the process**
  - **assessed their perspective on process improvement and "logical conclusions" on "what's next?"**

- **Evaluated framework:**
  - **assessed applicability based on private sector uses of similar core competency exercises**
  - **identified strengths and weaknesses of approach**

- **Attempted to identify "logical conclusions":**
  - **what did core competency work uncover that could drive to obvious conclusions about divesting activities or functions?**

- **Framework Evaluation**

- **Assessment of Success**

Difficult to Identify the "Burning Platform" in DoD

- **Premise for private sector use of core competence reviews is most often to address immediate competitive threat or financial crisis.**

- **In DoD, competitive threat is difficult to define across the enterprise.**

- **Competition for "funding" is inter-organizational, not intra-organizational.**

## *Private Sector Framework Definitions Don't Translate Well*

- **Products:** DoD is a service company, but it also produces tangible products that could be a possible area for divestiture.

- **Customer:** DoD only serves one customer and has no real competitors that threaten its relationship to that customer as in private sector.

- **End Products:** Unlike most product and service organizations, DoD end products are different almost every time they are delivered.

- **Services:** very difficult to limit or to build a consensus view across Services on what is core to the entire organization of DoD.
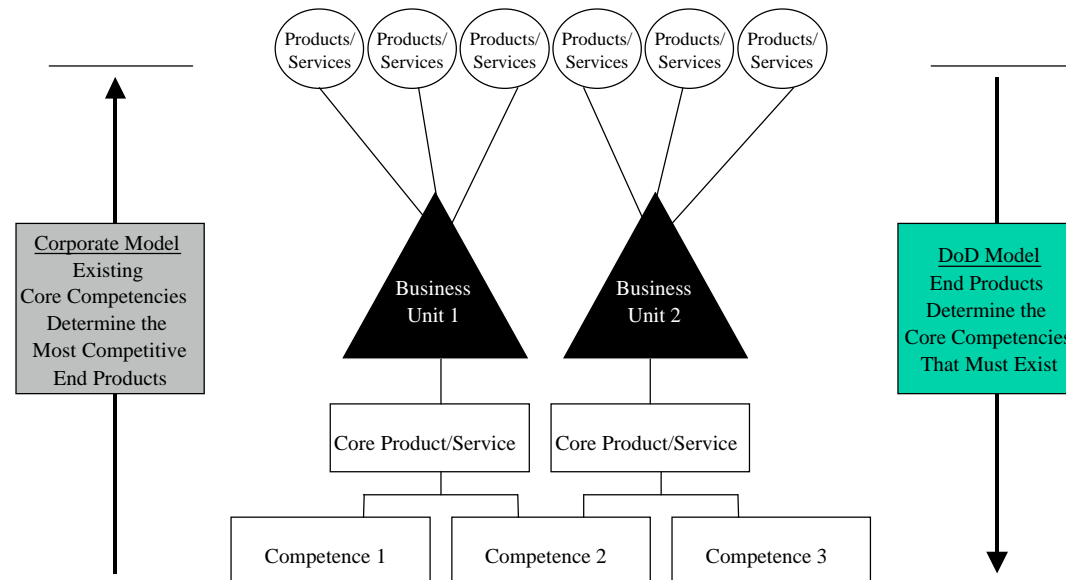
Basis of DoD Analysis is Different From Corporate Model
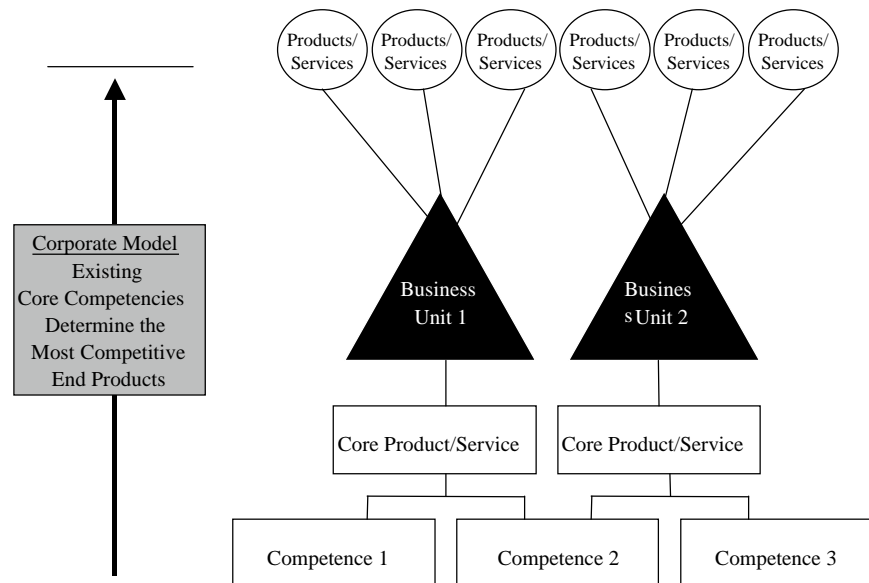
In the corporate model, identification of core competencies is used to drive what should be the appropriate end products of an organization.

Basis of DoD Analysis is Different from Corporate Model

- **In DoD, core competencies should be defined based on "what is required" to succeed in the warfighting mission-- then organizational competencies can be aligned accordingly.**

- **Applying core competency logic to multiple levels simultaneously may be a mistake—rather, it should be driven by senior leadership's determination of what must be core to the enterprise.**

Core Competency Criteria Not Perfect, But Adequate

- **OK Criteria:**
    - **application to a wide variety of national security needs**
    - **significant contribution to Commander-in-Chief's desired effect**
    - **crosses organizational boundaries within the enterprise**
    - **direct contributor to perceived value of the service**
    - **does not diminish with use**
    - **deploys with forces**
    - **training and experience that form the basis for ethos and culture**

- **Problematic Criteria (hinges on how one defines the competition?):**
    - **difficult for competitors to imitate**
    - **provides means to differentiate from competitors**

DoD Can Build on the Good Work Done to Date

- **Positives:**

  - **forced a new way of thinking**

  - **drives a focus on prioritizing what needs to be done well**

  - **could lead to new, and obvious, conclusions about the value of certain activities**

  - **may facilitate divestiture outside cumbersome A-76 rules**

  - **provides foundation for next level of thinking/analysis**

- **Negatives:**

  - **no consistent outcome across services (see next chart)**

  - **outcomes do not lead to obvious conclusions about targets of opportunity--opportunities that have been identified are not new and none truly respond to a "burning platform" issue**

Initial Service Definitions of Core Competencies Were Not Consistent…

Army
- Shape the Security Environment
- Prompt Response
- Forcible Entry Operations
- Mobilize the Army
- Sustained Land Dominance
- Support Civil Authority

Marine Corps
- Warfighting Culture and Dynamic Decisionmaking
- Expeditionary Forward Operations
- Sustained and Interoperable Littoral Power Projection
- Combined Arms Integration
- Forcible Entry from Sea

Navy
- Warfighting Culture
- Command of the Seas
- Sovereign Combat Power Forward
- Sustained Assured Access
- Power Projection
- Sea-based Deterrence
- Knowledge Superiority
- Sustained Logistics

Air Force
- Developing Airmen
- Technology to Warfighting
- Integrating Operations

…But Were Later Unified Around Three Broad Areas

- **Developing Warriors (Soldiers, Sailors and Airmen)**

- **Technology to Warfighting**

- **Integrating Operations**

Defense Agency Core Competencies May Not Support the Commander-in-Chief's Desired Outcomes

- **Agency competencies are not linked to Service competencies**

- **Some agencies have identified competencies in performing certain operations, but that may or may not suggest whether that function is core to the Department's mission or that it may be performed better by private sector sources**

- **There is confusion between "what is core?", "what should be core?", and the separate question of, "are capabilities best-in-class?"**

Lack of Clarity Over Terminology Confuses Development of Sound Conclusions

- **What does DoD mean by "CORE"?**

  – **core competency?**
  – **core capability?**
  – **core function?**

- **How does the term "inherently governmental" relate to questions about what is core to the Department?**

1. **Assign executive leadership to take work to the next level:**

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   - **Provide top down guidance on required competencies and facilitation of effort using existing work as a starting point**

   - **Pull together a common view of what DoD core competencies must be to achieve the broad range of military outputs (products) that are required; identify gaps and "excess" competencies--integrate Combatant Commanders' views, particularly Joint Forces Command**

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- **Insufficient funds available to meet all needs (wants) of the Services**

- **Changing nature of the military threat**

- **Possible avenue for sharing/accruing savings to unit**

- **Urgency to "do something you can control", rather than waiting for "change to happen to you"**

3. **Make core competency results relevant in the DoD context by relating them directly to <u>major</u> Department-wide transformation initiatives/objectives:**

- **Military End-Strength Debate**
- **President's Management Agenda**
- **Balanced Scorecard**
- **DoD Capabilities Analysis and Categorization**

Near-term Opportunities

- **Business Management Modernization Program (BMMP)**
- **Global Supply Chain Integration**
  - **Retail supply chains**
  - **Life cycle weapons systems support**
- **Base Realignment and Closure (BRAC)**

Longer-term Opportunities

4. Use Core Competency results to build case for divestiture of "obvious" non-core activities/organizations. See list below. Just pick one, build a case, and do it!

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- **Defense Finance and Accounting Service**

- **DoD Dependent School System**

- **DoD Childcare System**

- **DoD Real Property Management**

- **Base Operations, Utilities, and Maintenance**

5. Establish meaningful "incentives" for action on core competency findings (DoD extremely limited in this regard):

- **Incentives must:**
  - **motivate action internally**
  - **mobilize support externally**

- **Private sector has more tools in this regard:**
  - **multiple alternatives to act on non-core assets/capabilities**
    - **sale of business/assets**
    - **plant shutdown/consolidation**
  - **multiple incentives for action:**
    - **compensation**
    - **promotion**

6. Task Under Secretaries of Defense with specific follow-up role:

- **Acquisition Technology and Logistics**
  - **explore and investigate regulatory and contractual changes required for strategic partnering arrangements**

- **Comptroller**
  - **devise plan for incorporating results of core competency inventories into the '05 Program Budget and related Future Year Defense Program**

- **Personnel and Readiness**
  - **devise plan for marketing concept to Office of Personnel Management and Congress**

- **DBB Task Group to deliver final report to SEC and SecDef for endorsement.**

- **DBB Staff to work with Mr. Dominguez's staff to coordinate tasking memo.**

- **DBB Task Group to provide further guidance to designated Core Competency leader, as requested.**